

**UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY**

UNITED STATES OF AMERICA	:	Hon.
	:	
v.	:	Criminal No. 13-
	:	
KENNETH DAVID STEVENSON	:	18 U.S.C. § 371

INFORMATION

The defendant having waived in open court prosecution by Indictment, the United States Attorney for the District of New Jersey charges:

Relevant Entities and Individuals

1. At all times relevant to this Information:
 - a. Defendant KENNETH DAVID STEVENSON was a Canadian citizen residing in London, England. Among other things, STEVENSON promoted and solicited private financing for public companies.
 - b. Co-conspirator #1 ("CC#1") was a resident of New York, New York, and a licensed attorney. CC#1 owned multiple entities located in New York, New York, including his law practice and a registered broker-dealer.
 - c. Co-conspirator #2 ("CC#2") was a Canadian citizen and resident of Vancouver, British Columbia, who promoted "penny stocks" – the stocks of publicly traded companies with low share prices that often traded on quotation services and marketplaces operated by OTC Markets Group Inc., such as OTCBB, OTC QB, OTC Pink, or Pink Sheets.
 - d. A Cooperating Witness (the "CW") was the founder and owner of a registered broker-dealer located in New York. In or about July 2012, the CW began cooperating with law enforcement. Prior to his cooperation, the CW had participated in several stock fraud

schemes, including a scheme with CC#1 that occurred between in or about 2007 through in or about 2009.

e. HBP Energy Corp. (“HBPE”) was a Nevada corporation incorporated in or around October 2012 under the name Lido International Corp. (“LIDO”). In its public filings with the United States Securities and Exchange Commission (“SEC”), LIDO claimed that it was a development stage company with limited operations; that it was headquartered in Sonsonate, El Salvador; and that its intent was to engage in “the consulting business in commercial cultivation of champignon mushrooms.” On or about September 5, 2013, LIDO announced that it had changed its name to HBP Energy Corp. in order to “facilitate” its ongoing “discussions” with Firebird Petroleum, Inc., a private Texas corporation, “regarding a possible business combination.” HBPE’s common stock was quoted on the OTC QB marketplace under its old symbol “LIDO.”

Overview of the Stock Manipulation Scheme

2. From at least as early as in or about July 2013 through in or about November 2013, CC#1, defendant STEVENSON, and others conspired to fraudulently inflate the price of HBPE stock and then sell it at fraudulently inflated prices to the investing public for a profit.

3. To effectuate the scheme, CC#1, defendant STEVENSON, and others (1) obtained and concealed control of a significant portion of free-trading shares of HBPE stock; (2) agreed to fraudulently inflate the price and trading volume of the stock through a variety of means, including disseminating false and/or misleading promotional materials to the investing public and engaging in manipulative trading of the stock to create the appearance of market interest; and (3) planned to sell the stock at the fraudulently inflated prices, thereby profiting at the expense of the investing public.

The Conspiracy

4. From at least as early as in or about July 2013 through in or about November 2013, in the District of New Jersey and elsewhere, defendant

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knowingly and intentionally conspired and agreed with CC#1, CC#2, and others to commit an offense against the United States, to wit: (a) securities fraud, in violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5; and (b) mail fraud, in violation of Title 18, United States Code, Section 1341.

Object of the Conspiracy

5. It was a part and object of the conspiracy that defendant KENNETH DAVID STEVENSON, CC#1, CC#2, and others, willfully and knowingly, directly and indirectly, by the use of means and instrumentalities of interstate commerce, and of the mails, and of facilities of national securities exchanges, would and did use and employ, in connection with the purchase and sale of securities, manipulative and deceptive devices and contrivances in contravention of Title 17, Code of Federal Regulations, Section 240.10b-5, by: (a) employing devices, schemes and artifices to defraud; (b) making untrue statements of material fact and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices and courses of business which operated and would operate as a fraud and deceit upon persons, all in violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5.

6. It was a further part and an object of the conspiracy that defendant KENNETH DAVID STEVENSON, CC#1, CC#2, and others, knowingly, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false

and fraudulent pretenses, representations and promises, would and did cause things to be deposited with and delivered by the U.S. Postal Service and private and commercial interstate carriers for the purposes of executing such scheme and artifice, in violation of Title 18, United States Code, Section 1341.

Means and Methods of the Conspiracy

7. Among the means and methods by which the conspirators, including defendant STEVENSON, CC#1, and CC#2, would and did carry out the conspiracy were the following:

Step One: Obtaining and Concealing Control and Ownership of HBPE Stock

a. At some point prior to August 2013, and continuing thereafter, defendant STEVENSON, together with others known and unknown, obtained control of a majority of the free-trading shares of HBPE, and then took steps to conceal his and his co-conspirators' ownership of HBPE stock by, among other things, transferring shares to nominee entities and individuals that they controlled, and transferring shares to overseas trading accounts.

Step Two: Fraudulently Inflating the Price and Trading Volume of HBPE Stock

b. After obtaining secret control of the majority of free-trading HBPE shares, defendant STEVENSON, CC#1 and CC#2, together with others known and unknown, used the following methods, among others, to generate interest in HBPE and fraudulently inflate the price and trading volume of HBPE shares:

i. Defendant STEVENSON and CC#2, together with others known and unknown, bought and sold HBPE shares on the open market shortly before the HBPE promotion campaign was launched. To the investing public, these trades appeared to be purchases by investors not affiliated with HBPE, and gave the false appearance that there was an increasing market demand for HBPE shares.

ii. In or about August 2013, defendant STEVENSON, CC#1, and CC#2 recruited the CW to use an algorithmic trading system or “black box” (hereinafter, the “Black Box”), that the CW had developed for manipulating stock prices. Unbeknownst to defendant STEVENSON, CC#1, and CC#2, however, the CW was cooperating with law enforcement at the time they approached him. The CW explained to defendant STEVENSON, CC#1, and CC#2 that he controlled approximately 32 online brokerage accounts in the names of foreign nominees, and that a computer program that he created and controlled could trade between these accounts to create the appearance of market interest and massive volume in the stock, even though all of the trading activity would be between accounts controlled by the CW.

iii. In or about August 2013, defendant STEVENSON, CC#1, CC#2, together with others known and unknown, arranged to sell a majority of the free-trading HBPE shares that defendant STEVENSON secretly controlled to the CW through pre-arranged trades between the CW and defendant STEVENSON’s nominees. After acquiring the shares, defendant STEVENSON, CC#1, and CC#2 directed the CW to artificially inflate the price of HBPE’s stock by engaging in manipulative trading using his Black Box.

iv. In addition, defendant STEVENSON arranged for friends and associates to buy back approximately \$1 million worth of HBPE shares from the CW at relatively low prices in pre-arranged transactions after the CW acquired them in the manner described above, with the understanding that these early buyers would later be told when they could sell their HBPE shares at a profit.

v. Defendant STEVENSON, CC#1, and CC#2 further agreed that the proceeds of these early buyers’ purchases would be transferred from the CW to another co-conspirator, also by means of pre-arranged trades, and the other co-conspirator would use these

proceeds to pay for other stock promotion expenses, such as a telephone call campaign and mail campaign falsely touting HBPE's performance, including the price and volume activity generated by the CW using his Black Box, without disclosing that it was the result of manipulative trading.

Step Three: Coordinated Selling of Manipulated HBPE Stock

c. After fraudulently inflating the price of HBPE stock in the manner described above, defendant STEVENSON, CC#1, and CC#2, together with others known and unknown, planned to sell their shares to unsuspecting victim investors at fraudulently inflated prices, thereby generating substantial illegal profits, which they agreed to split based upon previously agreed-upon percentages

Overt Acts

8. In furtherance of the conspiracy and to effect the unlawful objects thereof, the following overt acts, among others, were committed in the District of New Jersey and elsewhere:

a. On or about September 23, 2013, CC#1 caused several stock purchase agreements to be sent via email from his law firm in New York City to the CW and an undercover law enforcement agent to facilitate the sale of approximately five million shares of HBPE stock.

b. On or about October 7, 2013, defendant STEVENSON directed one of his nominees to place a 5,000 share "sell" order for HBPE shares priced at ten cents per share.

c. On or about October 16, 2013, in furtherance of the September 23, 2013 transaction referenced above, a co-conspirator sold approximately five million HBPE shares from nominee entities that he controlled to an undercover law enforcement agent.

d. On or about October 17, 2013, a co-conspirator caused a stock certificate for five million free trading HBPE shares to be sent by Federal Express to Belleville, New Jersey.

All in violation of Title 18, United States Code, Section 371.



PAUL J. FISHMAN
United States Attorney